

RALEIGH-DURHAM AIRPORT AUTHORITY

MINUTES

May 15, 2003

Chairman Clancy presided. Present: Members Teer; Toler; Weeks; Winston and Zaytoun. Absent: Members Gibbs and Sanders. Also present: Airport Director Brantley; Deputy Director, Operations Shackelford; Deputy Director, Facilities Engineering & Maintenance Pittman; Major Capital Improvements Program Director Powell; Customer Service & Organizational Support Director Damiano; Deputy Director, Finance Business & Administration Gill; Finance Director Barritt; Parking Director Scialdone; Senior Program Manager Quesenberry; Senior Program Manager Edmondson; Facilities Engineering Manager Jewett; Facilities Program Manager Cayton; Properties & Insurance Officer Quinn; Communications Manager Hamlin; Parking Administration Manager Slayton; Communications Specialist Dunton; Business Development Officer Hairston; Purchasing Officer Thompson; Training Officer Harleston; Ground Transportation Coordinator Nye; Emergency Services Manager Thompson; Information Technology Manager Schiller; Purchasing Assistant Breen; Accountant Marion; Financial Analyst Golden; Visitor Services Supervisor Creech; GIS Manager Dana; Executive Assistant Mitchell and Attorney Tatum.

Guests: Charles McCloskey and Jerry Corthell, Parsons Transportation Group; John L. Atkins, O'Brien/Atkins Associates; Thomas W. Bradshaw, Salomon Smith Barney; Vicki Hyman, The News & Observer; and Steve Garvey, News14 Carolina.

APPROVAL OF AGENDA – There were no changes to the agenda, and it was approved as submitted.

APPROVAL OF MINUTES – There were no changes to the minutes of the April 17, 2003 meeting, and they were approved as submitted.

CHAIRMAN'S COMMENTS – Chairman Clancy had no comments at this time.

CAPITAL PROJECT BUDGET ADJUSTMENT – Airport Director Brantley reported on two additions to Project #070389 – Terminal Modifications for Aviation Security that will require adjustment of the Capital Budget for the project. A Blast Analysis needs to be conducted focusing on the areas of Parking Decks 1 and 2 within 300 feet of Terminal C. The Blast Analysis will provide information that can assist the Authority in eliminating security-related parking restrictions in part or all of those areas. The cost of the Blast Analysis is a maximum of \$28,200. The Authority also is coordinating with the TSA expansion of the security checkpoints in the terminals to add one lane at each checkpoint. In the event the TSA is unable to provide the electrical and communications hookups for the new and relocated equipment, for which it is responsible, the Authority needs to be in a position to complete that work. The current project budget is \$400,000. An increase of \$150,000 is requested, to a total budget of \$550,000.

Member Weeks made a motion, seconded by Member Winston, to adjust the budget for Terminal Modifications for Aviation Security, RDU #070389 by \$150,000, from \$400,000 to \$550,000. Adopted.

AT&T WIRELESS SERVICES AGREEMENT – Business Development Officer Hairston reported on the proposed AT&T Wireless Services (AWS) Agreement. The license agreement provides for service in various locations throughout the Airport campus focusing primarily on Terminals A and C, the

General Aviation Terminal and the terminal area parking structures. AWS will develop, operate and maintain a distributed antenna system to provide enhanced wireless voice communication services, including the Airport's public safety radio system, public wireless internet services and private wireless networks, as needed. AWS will provide all administrative services needed to operate, maintain and manage the distributed antenna system. Multiple voice and data service providers may then connect to the distributed antenna system provided by AWS to bring their wireless signals onto the Airport. AWS will also assist the Authority with implementing and managing the RF Policy approved by the Authority in June 2002, and with review of tenant requests to implement wireless services. The term is June 1, 2003 to May 31, 2013. Rents to be paid to the Authority will be generated from wireless service providers that operate on the distributed antenna system. AWS and the Authority will establish a rate structure for distributed antenna system users. The Authority anticipates DBE participation will be generated for construction agreements and through on-site maintenance agreements. Staff recommended approval of the proposed agreement with AT&T Wireless Services.

Member Zaytoun made a motion, seconded by Member Teer, to approve the proposed agreement with AT&T Wireless Services for design, installation, operation and maintenance of wireless communications systems in Terminals A and C and other buildings on the Airport, pending final review by Attorney Tatum. Adopted.

PRESENTATION/DISCUSSION – Airport Director Brantley provided background information on the proposed redevelopment of Terminal C. Throughout 1999-2000, the national and regional economies were booming, and RDU was the third fastest growing large airport in the U.S. in terms of passengers. The additions of US Airways' MetroJet in January 1999 and Southwest in June 1999 low fare services combined with growth of the Midway hub, along with the U.S. Men's Open golf tournament and the Special Olympics World Games in June 1999, greatly stimulated air travel and associated parking activity. Public parking and terminal inadequacies were magnified by the growth surge. Construction of the Terminal A commercial curbside and Parking Garage 3 were underway, sequential expansion of several park & ride lots also was in process, and plans for Parking Garage 4 were well advanced. At that point, nothing was being done to expand the terminals, although all gate space was in use and more was needed. As an interim step to add gates so Southwest and others could expand service, the 5-gate South Concourse of Terminal A was built on a fast track and opened in June 2001. All gates in all terminals were then in use.

In late 2000, a year-long Project Definition study was initiated to address what could be done with Terminal A to deal with the overcrowding of that facility and add capacity to serve growing demand. The answer was tear it down and build a new facility four times as large with half as many gates and a dual level roadway system, at an estimated cost approaching \$1B. About 10% of that cost would be for a temporary terminal that would then be removed upon completion of the permanent facility. By late 2001, on and off discussions with, and originally initiated by, American Airlines about acquiring its leasehold interest had been going on for over two years. Finally, with a declining economy in full swing and in the aftermath of September 11, 2001, American decided it was ready to negotiate. An agreement was finalized at the end of 2001 and consummated in May-June 2002. This opened up another avenue to relieve Terminal A overcrowding offering the possibility of greater long-term gain at considerably lower cost and without the need for a temporary terminal.

In the Spring of 2002, the Project Definition study was extended and expanded to focus on Terminal C. The charge to the study team was to formulate a plan for that facility that would maximize the available

capacity of the site. With Midway having fallen from the crest of its hub operation that peaked in mid-2001 just before it filed for bankruptcy on August 13, 2001, and then shut down on September 11, 2001, a window of opportunity to transform Terminal C into the Airport's primary terminal had been presented. By late 2002, the study team formulated a plan to expand Terminal C to a facility 2½ times as large with half again as many gates served by a central energy plant at an estimated cost exceeding \$500M. The core of the project would involve phased removal and replacement of the main terminal and connector with a three-level structure having a much larger footprint in order to balance its people processing capacity with that of the concourse and aircraft gates. Prior to the completion of the Project Definition effort, an architectural/engineering/specialty consultant team was systematically assembled by the Authority and plugged into that effort to familiarize itself with the plan and offer constructive suggestions for its refinement. The team has been gathering base information and data applicable to the design process, but has not yet initiated or been authorized to initiate that process.

In late 2002 and into early 2003, a model was constructed for use in assessing the financial feasibility of the proposed project. Through employing the models and other analyses, staff has determined that under 'normal' conditions, the maximum project cost that is financially supportable is around \$400M. For at least the past two years the national and regional economies have been in decline, the airline industry has experienced considerable upheaval and is in the midst of dramatic restructuring, and business as well as leisure travelers have made it clear they are focused on and stimulated only by price. Aviation security issues have dramatically affected the air travel experience and will continue to do so. The tide of regional jets, heretofore often limited by airline labor contract scope clauses, is rising rapidly and removing available seats from the marketplace, while becoming the principal means whereby airlines can materially lower their operating costs. Airlines are using the bankruptcy process to abrogate their labor contracts and to escape responsibility for previously incurred financial obligations. The credit market values most of the airline industry at far less than investment grade levels and has a negative view of the outlook for most associated enterprises, including airports.

On the other hand, financing costs are at all time lows, prices in the construction market reflect very little inflation and low profit margins, public agencies have broad access to quality contractors and a truly competitive marketplace, there is breathing room in the operating arena due to reduced traffic levels, which facilitates undertaking construction activities in or adjoining areas in which ongoing activities are taking place, and there are signs that the beginning of a broad economic upswing may be near at hand. In today's and tomorrow's airline industry, the single focus of the past on revenue generation is being replaced by a dual focus on both revenue generation and cost containment. Outside the nation's major metropolitan centers in particular, the airlines will provide and expand service only where they can earn a profit. Thus, RDU's opportunities for service continuation and addition will be determined by both the strength of the Triangle region's air travel marketplace and the cost of operating here in comparison to other airports at which aircraft may be employed. RDU currently is a low cost airport. If its cost per passenger served grows beyond the typical range for airports of its general size, RDU will be marked as a high cost airport and will find itself at a competitive disadvantage. Staff believes there are good and sound reasons for proceeding with renovation and expansion of Terminal C in concert with the plan developed last year, but also believes there is considerable risk in stretching the limit of financial commitment too near its maximum level.

Goals for the discussion were to try to frame:

- (a) The scope of the base Terminal C renovation and expansion project to which the Authority is committed to pursue;
- (b) The additions to that base project, in order of priority, that may be made if the opportunity is presented by unexpected cost savings in the bidding process; and
- (c) The approximate level of financial commitment to the project the Authority feels comfortable in making at this time.

Deputy Director, Finance Business & Administration Gill reviewed the financial models using project sizing between \$300-\$500M and with 3% and 1.5% estimates of annual growth in passenger enplanements. Member Clancy considered 3% enplanement growth to be too conservative.

Major Capital Improvements Program Director Powell presented a PowerPoint presentation showing the original Project Definition study plans, modified plans; the footprint of existing Terminal C; replacement of the main processor building; and concourse renovations.

After discussing the feasibility of renovations, the current and future passenger needs, and economic considerations, the members identified several areas as priorities on which to focus the Terminal C renovation efforts, including, but not limited to,

- Phased construction of the new processor building with retail facilities
- Phased construction of new gate space
- Renovation of the existing concourse
- Construction of a new FIS facility

The members felt that customer service and convenience should be emphasized over capacity additions aside from the need to balance capacity between the main processor and the concourse.

The members discussed the importance of maintaining and focusing efforts and finances on upgrading existing facilities. Member Teer commented that he thought redevelopment of Terminal C could be accomplished at a cost in the range of \$350M. Member Winston asked staff to advise the Authority of staff's financial recommendations regarding the redevelopment issues.

MEMBER COMMENTS/REPORTS – The members had no comments.

GENERAL COUNSEL'S REPORT – Attorney Tatum had no comments at this time.

AIRPORT DIRECTOR'S REPORT –

- Airport Director Brantley received very nice notes from the family of former Airport Director Henry Boyd thanking the Authority for including Mr. Boyd in RDU's 60th anniversary celebration activities. The Boyds very much appreciated the honor and the opportunity to see the Airport.
- The reduction in mainline carrier flights and the transition to regional jet flights has meant the loss of 95,000 available airline seats at RDU in April 2003 versus April 2002. The significant decrease in passenger boardings and deplanements in April 2003 versus April 2002 appears to be primarily due to lack of available seats.

- Enplaned passengers for April 2003 totaled 314,437 versus 370,963 for April 2002 for a 15.2% decrease. Year-to-date 2003 enplaned passengers totaled 1,180,561 versus 1,306,872 for year-to-date 2002 for a 9.7% decrease.
- Deplaned passengers for April 2003 totaled 314,073 versus 373,896 for April 2002 for a 16.0% decrease. Year-to-date 2003 deplaned passengers totaled 1,196,491 versus 1,317,657 for year-to-date 2002 for a 9.2% decrease.
- Enplaned air cargo for April 2003 totaled 7,400,705 pounds versus 8,005,037 pounds for April 2002 for a 7.6% decrease. Year-to-date 2003 enplaned air cargo totaled 29,848,162 versus 32,460,443 for year-to-date 2002 for an 8.1% decrease.
- Deplaned air cargo for April 2003 totaled 10,338,623 pounds versus 10,587,572 pounds for April 2002 for a 2.4% decrease. Year-to-date 2003 deplaned air cargo totaled 32,555,961 versus 39,719,072 for year-to-date 2002 for a 0.4% decrease.
- Weekday scheduled flight departures for April 2003 totaled 205 versus 234 for April 2002 for a 12.4% decrease.
- Aircraft operations for April 2003 totaled 18,617 versus 21,448 for April 2002 for a 13.2% decrease. Year-to-date 2003 aircraft operations totaled 71,239 versus 80,271 for year-to-date 2002 for an 11.3% decrease.
- The number of vehicles exiting the terminal area public parking lots during April 2003 totaled 144,774 versus 158,978 for April 2002 for an 8.9% decrease. Year-to-date 2003 number of vehicles exiting the terminal area public parking lots totaled 560,861 versus 595,582 for year-to-date 2002 for a 5.8% decrease.
- The number of taxicab trips taken during April 2003 totaled 12,057 versus 12,631 during April 2002 for a 4.6% decrease. The year-to-date 2003 number of taxicab trips totaled 45,889 versus 46,953 for year-to-date 2002 for a 2.3% decrease.
- Load factors for April were very high. Airlines reported load factors in the 60-80% range.
- Southwest announced the addition of a sixth daily Baltimore-Washington flight and a daily Las Vegas flight beginning October 5, 2003, but will eliminate its Kansas City flight at that time.
- Air Canada will add a fourth daily flight to Toronto beginning June 12.
- In early June United Express will add another daily BAe-146 flight, which will bring the total number of daily nonstop flights operated with that aircraft to five to Chicago and four to Washington Dulles. The BAe-146 is an 84-94 seat regional jet.
- Senior Program Manager Quesenberry recently completed transfer of the Aviation Parkway right-of-way to the NC Department of Transportation. The NCDOT is now responsible for much of the maintenance work on Aviation Parkway.

- The I-40/Aviation Parkway interchange should be open very soon.
- Within the next several months, each security checkpoint will expand by one lane. The Authority will physically reconfigure the checkpoints, while the TSA will provide the equipment and staff.
- The 10-minute maximum waiting time standard for the checkpoints has been eliminated by the TSA since the standard was not being met. The Authority is working with the airlines to marshal the lines during peak times.

ADJOURNMENT - There being no further business, Chairman Clancy adjourned the meeting.

Respectfully submitted,

Stephen K. Zaytoun, Secretary

CORRECT ATTEST:

David T. Clancy, Chairman